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SB 657
An Act Concerning Consumer Protection of Cable Television and Video Service Customers

Testimony By:
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Before the Joint Committee on Energy and Technology

Good afternoon my name is David Lamendola. I am the Director of Government Affairs for Verizon, and cover both Connecticut and New York state governments. Verizon in Connecticut enjoys a large customer base for its wireless services though has a very small foot print for traditional landline phone service limited to the city of Greenwich. In Greenwich, we are a nascent cable provider, having only recently provided video service.

On behalf of Verizon, I would like to express our concerns with for SB 657 "An Act Concerning Consumer Protection of Cable Television and Video Service Customers" and to thank the committee for allowing us to present our comments at today's public hearing.

This measure claims to be designed to provide greater consumer protection for customers of cable television and video service and to provide transparency in advertising. However, Verizon respectfully suggests that it will actually lead to more confusion to consumers and may lead to less competition in the marketplace if enacted.

In 2010, Greenwich, Connecticut town officials contacted Verizon after receiving requests from residents and businesses who heard about Verizon's FIOS video service. At the time, Verizon offered FiOS TV in neighboring municipalities in Port Chester and Rye Brook on the New York side of Greenwich. As a result of favorable feedback from the consumers in Greenwich, and Connecticut's streamlined video franchise rules, Verizon began investing in fiber optic television service in Greenwich.

If this bill is enacted, it would change the rules in midstream now that Verizon provides video service. For example, the bill requires a franchise renewal every five years which would increase our costs. Further, the general statutes already require the PURA to initiate a contested case proceeding three years after the issuance of a Certificate of Video Franchise Authority to investigate the availability of Verizon's video services and to report its findings to the joint standing committee of the General Assembly having cognizance of matters related to energy and technology. One benefit under the current video rules in Connecticut is that there are no build-out requirements. The Connecticut General Stat. § 16-331f(a), expressly states:

> *"The Department of Public Utility Control shall not require a certified competitive video service provider to comply with any facility build-out requirements or provide video service to any customer using any specific technology."*

In addition to the no build-out requirements for certified competitive video service providers to comply with, Verizon is not required to use a specific technology as suggested by this proposal. In fact, the Communications Act of 1934, as amended, prohibits a local franchising authority from regulating a cable operator's choice of transmission technology. Section 301(e) of the Telecommunications Act of 1996 (the "1996 Act") amended Section 624(e) of the Communications Act to prohibit states and local franchising authorities from regulating transmission technology. 47 U.S.C. § 544(e) provides, in pertinent part, that "*No state or franchising authority may prohibit, condition, or restrict a cable system's use of any type of subscriber equipment or any transmission technology*." This identical language is contained in Note 6 to Section 76.605 of the FCC's rules governing multichannel video and cable television service technical standards. The FCC has specifically opined that Section 624(e) of the Communications Act "*eliminates the authority of franchising authorities to interfere with a cable operator's choice of the subscriber equipment and transmission technology to be used in its cable system.*"

Verizon believes that build-out requirements envisioned by this proposal would make its video business unprofitable. Build-out requirements were written in the 1970s for monopoly providers. As a monopoly, the incumbent cable provider was guaranteed a customer base. As Verizon began offering video service in Greenwich, we were not guaranteed a customer base. Instead, we started with zero customers fighting an entrenched incumbent to build a customer base. If this proposal is enacted, Connecticut would be changing the rules that were a major consideration when Verizon decided to enter the marketplace. Adding build-out obligations now would be unfair and creates uncertainty with our future investment decisions. It also creates a possibility that, if this section of the legislation is enacted, Verizon may leave the video market altogether. This will put service to some customers at risk and will certainly lead to less competitive options for Greenwich consumers.

The proposal would also require Verizon to include the name and telephone number of the Office of Consumer Counsel on all customer bills. We respectfully suggest this provision is not necessary because Verizon is already required, as a certified competitive video service provider, to provide on bills, bill inserts or letters to subscribers, every six months a notice indicating the

name and an address of the chairperson of the Statewide Video Advisory Council and describing the responsibilities of such advisory council.

The measure also calls for providers to include all fees and taxes in advertised prices and provide the terms and conditions of such service in a font size at least fifty per cent the size of the advertised price. Both of these provisions would be impractical from Verizon's perspective and are contrary to long standing principles of advertising law. While we mention that taxes and other fees apply in our advertisements, we don't include all of the specific fees and taxes we are collecting. That would be extremely difficult if not impossible to do due to different taxes in different areas and different fees depending on the type and quantity of equipment ordered by the consumer. The Federal Trade Commission (FTC) addressed the very issue presented here in its Comments to the Federal Communications Commission regarding Truth-in-Billing Disclosures. In addressing the bundling of a set of services from a single provider, such as a "triple play" of phone, internet, and television, the FTC stated that the advertising of such services should provide for consumers easily to obtain information through disclaimers about regulatory fees, taxes and associated charges that are not known ahead of time by the provider. To add regulatory requirements at a state level would be duplicative and possibly conflicting with FCC regulation.

As way of an example, if Verizon ran an advertisement to entice consumers to purchase our FiOS video service in Greenwich, it would be impossible for Verizon to know ahead of time the consumer's preference or number of set-top boxes desired. Therefore, we cannot know the charges for such combination of equipment. When it comes to choosing set-top boxes, the vast majority of Verizon FiOS customers: 1) do not rent the basic box; 2) rent more than one box; and 3) rent different types of boxes (e.g., HD, multi-room DVR, single DVR) for different locations in their homes. In fact, 95% of Verizon's customers use more than one box, and less than 5% choose only the basic set-top box or cable card. Thus, including the monthly cost of the least expensive set-top box as part of the advertised service rate is meaningless to most consumers, because it is not representative of what they will actually pay. Indeed, consumer confusion is certain to result from any attempt at guessing the combination of equipment consumers might choose and including it in the advertised monthly service charge as proposed by this bill.

The proposal also includes a requirement to use certain font sizes. Verizon believes it is inappropriate to suggest specific font sizes be used in our marketing material. For example, our typical font sizes used in current print advertising for our Greenwich/NYC metro region range from 20-52 point font for price points and ranges from 7-14 point fonts for the corresponding disclosure language in the advertising itself. Based on the new proposal of 50%, our range for disclosure language would need to be increased to 10-26 point fonts. This proposal would not work for many advertising campaigns. While that would be consistent with the font on the high end for large size print advertisement, on the low end however, 10 point fonts will be a challenge for us when we use bill inserts and direct mail pieces where the advertisements are relatively small. Moving from 7 point font to a minimum of 10 point font would have a drastic impact on the creative for bill messages, bill inserts, postcards, and direct mail, which don't allot much space for proper messaging. In addition, Verizon is already required to provide to subscribers, pursuant to Conn. Gen. Stat. § 16-331j(a), at the time of initial subscription and annually thereafter, and anytime upon request, a description of its video service offerings and current rates,

its credit policies (including any finance or late payment charges), and its billing practices and complaint procedures. Further, it is well established that adequate means of notifying subscribers of rate changes are already employed. Federal law explicitly provides that a cable operator may provide notice of service and rate changes using any reasonable written means at its sole discretion. (See 47 U.S.C. § 552(c) and 47 C.F.R. § 76.1603(e)).

The bill also requires at least 2 month notice to customers about price changes. Verizon is currently required pursuant to Conn. Gen. Stat. § 16-331k(b) to inform each subscriber of any planned rate increase not less than thirty (30) days before implementing such change, unless such changes are required by law to be made in less than thirty days, or the department prescribes a longer or shorter notice period in appropriate circumstances where such longer or shorter notice period is in subscribers' best interests. The federal regulations also contain a 30-day notice requirement. 47 C.F.R. § 76.1603 requires only that customers be notified of any changes in rates as soon as possible in writing, and to subscribers a minimum of thirty days in advance, if the change is within the operator's control. The 30 day notice requirement is the industry standard; a change in the notice period will disrupt operations with no attendant benefit.

Verizon respectfully suggests that a clear and conspicuous disclosure of a statement that taxes and fees may apply in close proximity to the base service price is the proper approach to dispel any possible consumer deception. This permits consumers to easily compare service and equipment offers among competitors and provides a level and fair competitive environment among service providers (which always benefits consumers).

For all the above reasons, Verizon requests that this measure not advance.